

Country: Nepal

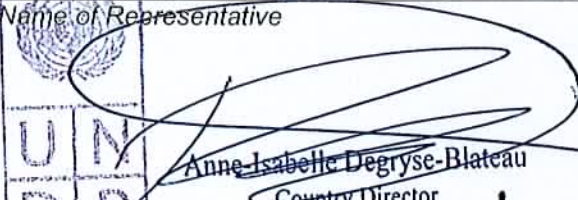
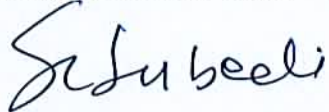

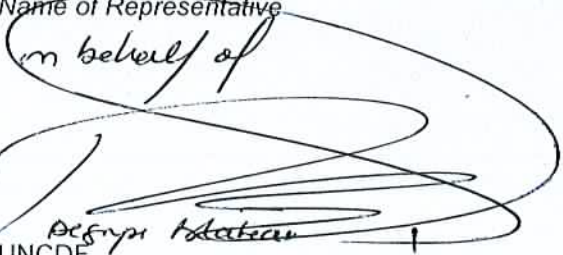

Programme Title: Support for the Local Governance and Community Development Programme (LGCDP)

Joint Programme Outcome(s):

UNDAF Outcome B: Socially excluded and economically marginalized groups have increased access to improved quality basic services

Programme Duration: 4 years	Total estimated budget*: 53,752,604 USD
Anticipated start/end dates: 15 July 2008 – 31 December 2011	Out of which:
Fund Management Option: Pass-through and parallel	1. Funded Budget: 30,519,658 USD
Administrative Agent: UNDP	2. Unfunded budget: 23,232,946 USD
	* Total estimated budget includes both programme costs and indirect support costs

Sources of funded budget:	
• UNDP	4,700,000 USD
• UNCDF	2,250,000 USD
• UNV	510,000 USD
• UNICEF	13,900,000 USD
• UNFPA	9,159,658 USD

UN organizations	National Coordinating Authorities
Name of Representative  Anne-Isabelle Degryse-Blateau Country Director UNDP Nepal Date & Seal 01 APR 2009	Name of Head of Partner SOM LAL SUBEDI  29-03-2009 Ministry of Local Development Date & Seal  Joint Secretary Government of Nepal Ministry of Local Development
Name of Representative  in behalf of UNCDF Date & Seal 01/04/2009	
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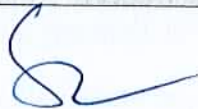
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Abbreviations and acronyms

AA	Administrative Agent
ADB	Asian Development Bank
ADDCN	Association of DDCs in Nepal
AWPB	Annual Work Plan and Budget
CIDA	Canadian International Development Agency
CPA	Comprehensive Peace Agreement
CPAP	Country Programme Action Plan
DACAW	Decentralized Action for Women and Children
Danida	Danish International Development Assistance
DDC	District Development Committee
DFID	Department for International Development
DOLIDAR	Department of Local Infrastructure Development & Roads
DP	Development Partner
FY	Fiscal Year
GE/SI	Gender Equality/Social Inclusion
GoN	Government of Nepal
JFA	Joint Financing Agreement
JP	Joint Programme
JR	Joint Review
LGCDP	Local Governance and Community Development Programme
SAA	Standard Administrative Agreement
LSGA	Local Self-Governance Act
MC/PM	Minimum Conditions/Performance Measures
MDG	Millennium Development Goal
MLD	Ministry of Local Development
MoHP	Ministry of Health and Population
MoU	Memorandum of Understanding
MuAN	Municipal Association of Nepal
NAC	National Advisory Committee
NAVIN	National Association of VDCs in Nepal
NDVS	National Development Voluntary Service
NGO	Non Governmental Organisation
NORAD	Norwegian Agency for Development Co-operation
NPD	National Programme Director
PM	Programme Manager
PARHI	Population and Reproductive Health Integrated Project
PCU	Programme Coordination Unit
PEM/PFM	Public Expenditure Management/Public Financial Management
R&RF	Results and Resources Framework
UNCDF	United Nations Capital Development Fund
UNDAF	United Nations Development Assistance Framework
UNDP	United Nations Development Programme
UNFPA	United Nations Population Fund
UNICEF	United Nations Children's Fund
UNV	United Nations Volunteers
VDC	Village Development Committee

EXECUTIVE SUMMARY

The UN Joint Programme (JP) of support to the Local Governance and Community Development Programme (LGCDP) will bring together the activities of five UN agencies – UNDP, UNICEF, UNFPA, UNV and UNCDF. The JP itself will be fully aligned with the overall framework provided by LGCDP, a national programme of the Government of Nepal, and will be subject to the wider programme's set of management, work planning and implementation arrangements. As such, the JP shares the same goal, purpose, outcomes and outputs as LGCDP and will therefore contribute towards poverty reduction in Nepal through improved and more inclusive local governance and service delivery. Specifically, the JP will build on the experiences of different UN agencies in the areas of decentralization, local governance and community-led development and support the implementation of a range of activities related to: (i) community empowerment, participation and involvement in local governance processes; (ii) the provision of carefully designed and expanded block grants to all tiers of the local government system in Nepal; (iii) capacity building of local governance and service delivery stakeholders; (iv) the piloting and fine-tuning of local level service delivery mechanisms and processes; (v) the establishment of a policy environment conducive to good local governance, community-led development and decentralized service delivery; (vi) developing national level capacities to support local governments and decentralized service delivery; and (vii) core administrative and logistical support. The JP, as an integral element of LGCDP, will leverage the comparative advantages offered by the five UN agencies in ways that contribute towards attaining the objectives of the wider Government programme and in a manner that facilitates the implementation of LGCDP as a whole. LGCDP has been designed so as not to pre-empt any major policy decisions on future sub-national state structures which emerge from the constitutional processes now underway and – conversely – to provide assistance to help the Government develop and implement policy frameworks in line with any such new directions.



1. SITUATION ANALYSIS

The Joint Programme of support for the Local Governance and Community Development Programme (LGCDP) needs to be seen:

- in the overall political and social context of Nepal
- in relation to the recent "history" of local governance, community-led development and service delivery in the country
- in the light of the fragmented nature of donor support.

Nepal ... poverty, inequality, conflict, and crisis

Since the signing of the Comprehensive Peace Agreement (CPA) in November 2006 and the successful holding of elections to the Constituent Assembly in April 2008, Nepal has entered into a phase of post-conflict recovery and relatively positive political change. However, much remains to be done if the root causes of the conflict and political instability are to be genuinely addressed.

Nepal has not been able to reduce inequality and exclusion from service delivery and other state mechanisms as well as development opportunities. That was one of the underlying reasons for conflict and political instability. Legal, economic, and social arrangements are not conducive for the influence and the prospects of a large proportion of Nepal's women, children and especially girls, Dalits, Janajatis, Madhesis, religious minorities, and the poor in general. Inadequacies in delivering basic services¹ and ensuring security, along with increasing unemployment, fuelled the frustration of the rural poor, especially the youth, and provided a fertile breeding ground for the conflict. The Madhesi movement has further highlighted the need to address multiple dimensions of exclusion in Nepal and the need for far greater and more systematic efforts to engage people in the peace-building process.

In terms of overall human development, Nepal currently ranks 142 out of 177 countries (Human Development Report 2007/2008) and poverty remains severe and widespread in many rural areas, with significant disparities between groups and regions. Although data shows that the incidence of poverty in Nepal decreased from 42% in 1995/96 to 31% in 2003/04, inequality increased from 34% to 41% during the same period. When the incidence of poverty is disaggregated by social group, the disparity becomes quite clear: 47% for Dalits, 41% for Muslims, 44% for Hill Janajatis and only 19% for Brahmans and Chhetris.

Other social indicators mirror these inequalities. While, for example, Terai Dalits have a literacy rate of only 21%, Newars have a 72% literacy rate, and Terai Brahmans/Chhetris have a 74% rate. Gender disparities are also striking. Only 42% of Nepali women are literate compared to 65% of men. According to the 2001 census, less than 11% of households reported female ownership of land. For every Rs. 101 women earn, men earn Rs. 137 in the non-agriculture sector. Furthermore, there are still a significant number of laws and provisions that are discriminatory against women.

The situation of children is not encouraging. General malnutrition of under-fives remains high, with 51 per cent stunted and 10 per cent wasted. There is widely prevailing discrimination against girls and children belonging to marginalized and vulnerable groups. The net primary school enrolment is estimated at 78 per cent (83 per cent for boys and 73

¹ Basic services include services for health, nutrition, water and sanitation, HIV/AIDS, early childhood development, education, child protection and HIV/AIDS, as well as "services" associated with public road and market infrastructure, irrigation and drainage systems, electric power, etc..

per cent for girls). Among low income and marginalized groups, however, enrolment is much lower than the national average.

Such poverty, social conditions, and inequality underpin the fragility of post-conflict recovery and peace-building in Nepal – and provide an idea of the scale of the development challenge faced by Nepal.

Local governance, community-led development and service delivery

Violent conflict and political crisis over the last decade have severely affected the local government system in Nepal. The Local Self Governance Act (LSGA 1999) established a solid institutional foundation for local government in Nepal – which is based on local bodies at the district, municipal and village levels. However, armed conflict resulted in the “demobilisation” of the vast majority of Village Development Committees (VDCs), and a dramatic narrowing of the “development space” within which District Development Committees (DDCs) could operate. In addition, since 2002 there have been no elected councils at any level of the local government system in Nepal. This has greatly constrained the scope for interaction between local governments and citizens/communities, and, as a result of this political vacuum there has been a reduced level of participation by local people in development activities.

Nonetheless, and despite protracted conflict and political crisis, local government remains in place in Nepal. The weakest level has been the VDC, but there have been positive developments since the CPA, and VDCs have now become more operational again. DDCs and municipalities – albeit shorn of elected councils – remain operational, and – to varying degrees – did so throughout the conflict. It is likely that all levels of the local government system will be re-dynamised if, as, and when interim local “councils” or other representative arrangements are put into place. In the short term, it seems safe to assume that local government will continue to operate – albeit very imperfectly during the interim period – and continue to have the primary responsibility for delivering a range of basic services with a direct impact on Nepal’s effort to achieve the MDGs. Local governments will require support in order to meet their responsibilities.

Although they formally fall outside of the local government structure, major line ministries such as education and health are being “devolved” – and are expected to coordinate their service delivery activities with local governments. In practice, however, sector devolution remains weak, the ability of local government to influence line department service delivery is limited and basic services continue to be delivered in a largely centralised and vertical manner. Moreover, there are deficiencies in service delivery – which do not adequately respond effectively to local demand.

This situation has prevailed despite the provisions of the LSGA. The LSGA set a framework for devolution and community-led development but which has only been partly implemented. While government did begin devolution in primary health², agriculture extension, primary education and small scale infrastructure, this remains an agenda only partly implemented. Most stakeholders recognise that there are potentially significant benefits to be gained from a more genuine devolution of functions in these sectors.

² For example, between 2002-05 the MoHP handed over 1433 health facilities to LGs in 28 Districts, and in the coming year plans to strengthen the capacity of the health management committees to handle these facilities. Preliminary findings suggest that health sector devolution has created higher managerial standards and improved access to health services.

Private sector³, civil society, associational organizations and various sorts of voluntary groups in Nepal have played a significant role, especially during the period of conflict, in ensuring more participatory planning and management of service delivery⁴. It is therefore imperative to recognize and take advantage of this social capital asset in the reconstruction and development of the country by revitalizing and strengthening such volunteerism at all levels.

At the same time, it should be noted that in this overall context – of local governments weakened by conflict and shorn of their elected bodies, and of centralised/vertical service delivery – particular emphasis has been and is placed on community-based development in Nepal. NGOs, donors, and even central government have channelled resources directly to communities and community organisations as a way of delivering assets and services. During the conflict, this was understandable – but in the present post-conflict and state rebuilding context, there clearly needs to be some rethinking and modification of this approach.

There is both a need to continue to empower communities and citizens to participate and demand responsive services, while at the same time build the capacity of local governments to provide such services.

Donor harmonisation

Given the multiple and complex challenges that Nepal currently faces, donor coordination and harmonization in accordance with the Paris Declaration on Aid Effectiveness remains a priority. The recent Paris Declaration survey 2008 on Nepal has identified key challenges such as lack of clear country owned plans against which donors can align their assistance, limited use of programme based approaches, relative absence of monitorable performance assessment frameworks and absence of mechanisms for mutual assessment of aid effectiveness. At the sub-national level, overlaps and duplications between and by donor-supported activities are common. It is critical that both the donor community and the Government find ways to synchronize their programmes for effective management and utilization of foreign and domestic resources.

The Local Governance and Community Development Programme

Within this broad context, the Government has recently designed the Local Governance and Community Development Programme (LGCDP), a national programme to be managed and implemented by the Ministry of Local Development (MLD). LGCDP is expected to be the main framework within which Nepal's development partners (DPs) will provide support for local governance and community-led development. A number of UN agencies (UNDP, UNICEF, UNFPA, UNV, and UNCDF) have come together to draw up a joint programme (JP) of support for the implementation of LGCDP.

LGCDP consists of three main components:

- (i) Support to strengthen the "demand" side to local governance, aimed at enhancing

³ The GoN has not clearly articulated the role of the private sector at the operational level in the context of local governance. In the changing political context, there is a need for building strong public-private partnerships to institutionalize the support and harness their contribution in strengthening basic services in both urban and rural areas. MLD has developed a concept note and policy guidelines on PPP, which needs to be integrated into the larger decentralization framework.

⁴ The growth of the voluntary sector in Nepal indeed ranks as an outstanding feature of the development history of the country. A survey conducted in 1999 by the Central Bureau for Statistics found that one third of all local development works - equivalent to Rs. 3 billion - were estimated to be met through people's voluntary services (Volunteerism in Nepal, December 2002.)

citizen/community "voice" and engagement with local governments and at increasing the intensity with which communities participate in service delivery. Fundamental to this process is the need to enhance downward accountability.

- (ii) Support to strengthen the capacity of local governments and line departments to respond effectively to local needs and priorities. Such support includes increased fiscal transfers, supply- and demand-driven capacity development, and fine-tuning of local service delivery processes and public expenditure/financial management.
- (iii) Support to the national level, aimed at strengthening policy processes (such as sector devolution) and at developing the capacity of national-level institutions to enhance local governance and strengthen local governments.

Significantly, LGCDP has been designed so as to become a full Sector-Wide Approach (SWAp) for support to local governance and community-led development. LGCDP is thus intended to provide a platform upon which GoN and its development partners can establish a genuinely harmonised approach to support for local governance and community-led development.

LGCDP has been designed so as not to pre-empt any major policy initiatives that may emerge from the current constitutional process. Its implementation does not in any way preclude federalism. Instead, LGCDP focuses in on making existing arrangements for local level delivery of public goods and services as inclusive, participatory and accountable as possible. Through the additional fiscal resources that the programme will channel to DDCs, VDCs and municipalities, LGCDP also aims to satisfy more local needs and better address local priorities.

To date, a significant number of DPs have expressed a commitment to funding LGCDP. These include ADB, DFID, Danida, CIDA, SDC and NORAD.

2. STRATEGY

Background

LGCDP, as mentioned above, is a national programme, which will be managed and implemented by MLD. The LGCDP programme document has been drawn up through a process of extensive consultations and was jointly assessed by development partners. Nonetheless, and despite extensive DP involvement in its formulation, LGCDP is very clearly owned by the Government.

With its focus on poverty reduction through improved and more inclusive local governance and service delivery, LGCDP is entirely consistent with UNDAF (2008-2010) outcome B: "Socially excluded and economically marginalized groups have increased access to improved quality basic services". The JP in support of LGCDP implementation, then, mirrors that consistency – and reflects the over-arching developmental objectives of the five UN agencies involved in the JP. Underpinning this, the JP rests firmly on a Human-Rights based approach to programming, as also clearly spelled out in the UNDAF.

Importantly, while the JP represents a unified facility through which five UN agencies (and donor partners) will support LGCDP, the latter will also be supported by a large part of the



development partner community in Nepal – many of the larger bilateral agencies (DFID, Danida, NORAD) and one of the multilateral banks⁵ (ADB).

Lessons learned

Collectively, the UN agencies – through their past and ongoing programmes – have learned a number of important lessons in the area of local governance and community development, *inter alia*:

Communities and the disadvantaged

- The community organizations in Nepal have proven to be an effective vehicle for improving the effectiveness of service delivery, for managing community level development activities, and for ensuring sustainability and cost-effectiveness.
- Social mobilization needs to focus on its core function of helping communities and citizens to empower themselves, thus contributing to local ownership, rather than becoming a catch-all service and asset delivery activity.
- Community organizations need to be encouraged to meaningfully interface with service delivery agencies and local governments in order to access appropriate public goods and services.
- Better targeting of the poorest and most disadvantaged, including women, children, people with disabilities and minority groups, is necessary. Several evaluations have continuously pointed out that this remains a big challenge and that results to date have been unsatisfactory. However, the recently developed DAG-mapping provides steps in the right direction for identifying the most disadvantaged. In parallel different approaches for addressing the special needs of these groups are needed.
- Gender equality and social inclusion, including children and youth inclusion should be mainstreamed in local governance and throughout the local public expenditure management cycle (from planning to budget execution), providing opportunities for children, women and disadvantaged groups to participate meaningfully. Real incentives for this need to be built in.

Sectors and service delivery

- In trying to improve local level service delivery, programmes must engage with sector line departments and their parent Ministries – limiting interactions to DDCs, municipalities and VDCs is not enough. Moreover, experience in the health and education sectors has shown that facilitating linkages between line agencies and local bodies yields positive results.
- The ability of DDCs to lead and to coordinate service delivery in a sector such as health is largely dependent on the knowledge of sector issues on the part of DDC focal points.
- The involvement of local bodies, and community organizations of different sorts, in sector service delivery often leads to better planning and targeting, more resources, community mobilization, and more effective joint monitoring.

Local bodies

- Performance-based funding systems (MC/PM) are powerful tools for improving local government performance, encouraging compliance with regulations, identifying capacity

⁵ The World Bank may also provide support for LGCDP implementation, depending on the outcomes of its own appraisal process

gaps in different functional areas and strengthening the general M&E system through annual assessments.

- A comprehensive results-based monitoring and evaluation system and a system to apply lessons learnt to future interventions should be established at the central and local levels, including mechanisms for conducting baselines.
- There is a need for a comprehensive capacity building strategy/framework that is linked to MC/PM assessments. Capacity building should be a mix of demand- and supply-driven interventions.
- Joint integrated planning, supervision, monitoring and evaluation at DDC level increases accountability of local bodies, avoids duplication and facilitates better coordination among partners.

Programme design

- The programme design should be strategic and evolving, and sensitive to national and local contexts, rather than pre-defined. Thorough analysis of risks and issue management is crucial.
- The programme design should promote not only national, but also local ownership. In this case participation of government and civil society is important in the development of new systems and monitoring and reviews of the programme;
- Nepal has diversified cultural, social, economic and ecological realities. Therefore, for the successful implementation of the programme these realities should be taken into account;
- The policy guidelines should be in simple and understandable language and should be disseminated timely to local level stakeholders;
- The programme should be sensitive to the national financing mechanisms and the problems faced by low absorptive capacity. Measures to improve absorptive capacity have to be taken.
- Poor preparation and lack of consultation with relevant stakeholders before moving to implementation has resulted in confusion, deviation from the original intent of the policy objectives and delays in the implementation process e.g. implementation of decentralization in health sector. Efforts should be made to involve the stakeholders from planning, implementation and monitoring of the programme;
- Community monitoring and public audit system need to be institutionalized to increase ownership of local stakeholders and ensure transparency;

These lessons learned have informed the design of the JP, as well as the wider LGCDP.

Challenges and opportunities

Opportunities

- At the political level there is now consensus among major political forces in the Constituent Assembly meeting and civil society organizations to the need for promoting devolution and strengthening decentralized management and service delivery.
- VDCs, key institutions for local governance and local service delivery, are beginning to resume some of their functions again, after several years of being moribund due to the conflict in many areas.
- A variety of programmes show that LGs and local civil society organizations – when given the opportunity and the resources - have demonstrated their ability to manage these resources and to deliver services effectively and in a transparent manner.

Challenges

- It will be difficult for the decentralization agenda to be fully promoted as long as there are no locally elected representatives in place.
- A serious challenge will lie in the absence of a Local Service Commission for local officials. Local civil servants will remain partly under the line ministry control, partly under local government control, and so will suffer from the ambiguities inherent in dual accountability.
- There is not yet an adequate degree of horizontal coordination among the key ministries and departments involved in policy implementation (e.g. MOHP, MWCSW, MOE, MLD, MOF and NPC). This constitutes a particular challenge when attempting to synchronize sectoral decentralization policies with LGCDP's sector wide approach to decentralization. At the same time, vertical coordination will be equally challenging as each line ministry will prioritize its own central level interest and agenda.
- Lastly, it must be said that Nepal has in the past championed new policies but their implementation often remains a challenge, due to poor dissemination of policy and guidelines, inadequate technical and management capacities at national and local level, weak coordination among the institutions involved, political conflict and inadequate funding provisions. As a consequence, it will remain a great challenge to ensure the delivery of quality basic services corresponding to the needs of communities in general, and to the needs of the most disadvantaged groups (including children and women) in particular.

The design of the Joint Programme aims then to leverage these opportunities and to address the challenges, as far as this is possible.

Joint programme – design and strategy

Rationale and particularities

A number of UN agencies (UNDP, UNICEF, UNFPA, UNV, and UNCDF) have come together to support the implementation of LGCDP, and are committed to:

1. Through LGCDP, support the Central Government and the Local Bodies of Nepal towards developing a local government system, which allows for the efficient delivery of local development, particularly the delivery of good quality and equitable basic social services.
2. As part of the LGCDP, support the Government through piloting and lessons learned in its consideration to move towards sector devolution i.a. the delivery of multi-sector interventions primarily through the local government system.
3. Facilitate the transition towards a sector-wide approach, including the efficient operation of a pooled donor funding mechanism, by providing key technical assistance and other support.

Building on this commitment the purpose of this JP includes:

1. Positioning of UN system towards fulfilling the objectives of the LGCDP.
2. Aligning ongoing UN programmes to the objectives of the LGCDP. In addition, there are programmatic synergies in the JP. UNDP and UNCDF, for example, both have considerable experience in dealing with generic local government systems (planning, budgeting, fiscal transfers, financial management, etc.) – and this is highly

complementary to the sector-specific expertise of UNICEF and UNFPA which, in turn, is invaluable to discussions about devolved service delivery. In addition, UNICEF and UNFPA have important experience directly supporting district and village level social mobilization and community participation. UNV through promotion of volunteerism will contribute to community development. Furthermore, there are programmatic synergies as the JP will provide the venue to ensure that each specific agency's expertise is mainstreamed in the entire JP, thus resulting in a more efficient and cost effective implementation.

3. Ensure UN coordination and streamlining of lessons learned towards delivering as one (one UN).
4. Sustain the delivery of services in this critical period of transition while the future political structure is still being decided.
5. Mobilize resources for the provision of a comprehensive package of quality and equitable basic social services, through community mobilization and improved local governance.
6. Use the national programme framework as an opportunity to consolidate and scale up vertical and UN programmes tested through previous/current interventions.
7. Ensure sustainability of interventions by support to the LGCDP to build national ownership for its implementation.

The wider LGCDP should benefit greatly from the kinds of support that can be mobilized through the JP facility – indeed, the JP is likely to be crucial to the overall success of LGCDP.

LGCDP and the Joint Programme

As far as possible, the JP's structure mirrors that of LGCDP as a whole. In other words, JP outcomes, outputs and activities are based on those of LGCDP – either in whole or in part.

Poverty reduction, capacity building, gender, social inclusion, and rights-based approaches, represent cross-cutting issues that are central to the design of the Joint Programme and targeting of programme interventions at national, district and village levels.

Table 1 provides a summary of LGCDP's results framework and an indication of the ways in which the JP will serve to support the implementation of that framework. While the UN Joint Programme does not (and indeed cannot) provide support to all LGCDP activities, it has been designed so as: (i) to deliver assistance in ways that are likely to be of most strategic use to MLD; and (ii) to leverage the comparative advantages offered by the UN agencies involved.



Table 1: LGCDP Results Framework and JP alignment

LGCDP GOAL: CONTRIBUTE TOWARDS POVERTY REDUCTION IN NEPAL

LGCDP PURPOSE: IMPROVED ACCESS TO LOCALLY AND INCLUSIVELY PRIORITISED PUBLIC (GOODS AND) SERVICES

LGCDP Outcome 1: Citizens and communities engage more actively with local governments and hold them accountable

Output 1. Communities and community organisations are empowered to participate in local governance processes.

JP support: social mobilization activities, technical assistance, facilitating interactions between communities/community organizations and local governments/service delivery departments [UNDP, UNFPA, UNICEF, UNV]

Output 2. Increased capacity of citizens, communities and marginalised groups to assert their rights and hold local governments accountable

JP support: assistance to disadvantaged and marginalised groups and organisations [UNFPA, UNICEF]

LGCDP Outcome 2: Increased capacity of local governments to provide basic services in an inclusive and equitable manner

Output 3. Local governments gain access to greater fiscal resources in equitable and appropriate ways

JP support: technical assistance for refining and where necessary design of block grant formulae and development/-implementation of performance-based funding systems [UNCDF, UNDP, UNFPA]

Output 4. Appropriate capacity building services passed on to all levels of the local government service delivery system

JP support: capacity building for local level line agencies and for local governments, technical assistance. [UNICEF, UNFPA, UNDP, UNCDF]

Output 5. Local government infrastructure and service delivery mechanisms and processes are fine-tuned

JP support: fine-tuning of local PEM/PFM procedures, piloting of social protection, piloting of sector support and decentralized service delivery at the local level, piloting of local level coordination [UNFPA, UNICEF, UNCDF]

LGCDP Outcome 3: Strengthened policy and national institutional framework for decentralisation, devolution and community development

Output 6. Policy framework for decentralisation promoted a more enabling environment for effective, transparent and accountable local governance.

JP support: technical assistance [UNDP, UNICEF, UNFPA, UNCDF]

Output 7. Capacity of central government and national non-government institutions to provide appropriate support to local governments is enhanced

JP support: technical assistance, training, study tours [UNDP, UNICEF, UNFPA, UNCDF]

Output 8. Support provided for programme implementation

JP support: technical assistance, logistical and operational support [UNDP, UNFPA, UNCDF]

While the JP Results and Resources Framework (R&RF) and other annexes present detailed activities, the participating UN agencies are committed to ensuring coordination and synergies, both technically and financially. The following highlights such synergies and joint activities.

A. National Level

i) Policy support (LGCDP Output 6)

The JP will provide the Government with demand-driven and appropriate technical advisory services for policy development related to decentralization, local governance and community-led development, as well as issues related to sector devolution. In addition, the JP will ensure that lessons learned from its pilot activities and previous experiences are fed into national level policy processes. (UNICEF, UNFPA, UNCDF)

ii) Technical assistance (across all LGCDP Outputs)

The JP will provide national and international technical assistance required by MLD to implement LGCDP as a whole. Situated within LGCDP's Programme Coordination Unit (PCU) a Technical Cell will provide the full-time national technical expertise needed for programme implementation. The Technical Cell will include advisers for both substantive aspects of the programme (e.g. sector devolution, child-friendly governance, fiscal decentralization, GE/SI, etc.), as well as specialists in financial management and procurement. Their role in assisting the Ministry in LGCDP implementation will be significant. In addition, the JP will provide LGCDP with access to short term international technical assistance on an as-needed basis. Finally, the JP will provide the PCU with administrative and logistical support. (UNDP, UNICEF, UNFPA, UNCDF)

iii) Development of guidelines and orientation to key stakeholders

Together with sectoral line departments and the LGCDP PCU, the UN JP will provide support for revising and updating the existing policies and guidelines on decentralization, sector devolution and GE/SI, and will support the preparation of new guidelines and manuals. Manuals and guidelines on social mobilization will be developed in coordination with the participating UN agencies in the districts. Similarly, support for the development of planning, operational guidelines, and preparation of orientation manuals on sectoral issues will be jointly supported for nationwide coverage. (UNCDF, UNFPA, UNICEF, UNDP).

iv) Capacity building

Support will be provided to national level institutions for the preparation of a national capacity development strategy, capacity building packages and guidelines for different levels. Orientation will be carried-out for the policy and planning unit of LGCDP, the GE/SI section, and decentralization focal units of MOHP, MoE, MWCSW, MoF and NPC. This will include working with the Local Bodies' Fiscal Commission and the Local Government associations (ADDCN, MuAN, NAVIN). The JP will also assist MLD and sector ministries in strengthening their capacity to mainstream GE/SI (as well as children and youth inclusion), building up its monitoring and evaluation capacities and in providing local governments and local line agencies with training and mentoring services. Support will also be provided to ensure the availability and accessibility of socio demographic data that is disaggregated by age,

sex, ethnicity, caste and economic status for evidence based planning and monitoring. (UNFPA, UNDP, UNICEF)

v) Community empowerment & local governance processes (LGCDP Output 1)

Supporting implementation of LGCDP's general and broad-based community empowerment activities will include methodological and technical support, aimed at developing and rolling out mechanisms for community participation in local governance and service delivery processes (planning, budgeting, implementation, and community monitoring) and backstopping social mobilization activities throughout the country. (UNDP, UNV, UNICEF, UNFPA)

vi) Mainstreaming gender and social inclusion and child /youth inclusion

At the national level, the JP will continuously advocate for gender audits and gender responsive budgeting. It will extend both technical and financial support in preparation of GE/SI capacity development (CD) plans to LGs, line departments and service providers and organize training accordingly. The JP will support MLD to replicate and scale up effective approaches and mechanisms, such as paralegal committees, watch groups and women's federations. Social and Gender Audit will be piloted and feedback will be provided at the national level for scaling-up nationwide. Likewise, protection and GBV issues at district and community levels will be advocated for and a specific programme will be launched to address such issues. (UNDP, UNCDF, UNFPA, UNICEF)

vii) M&E and Impact study:

LGCDP/PCU will be assisted in developing a multi-sectoral monitoring mechanism. Comparative studies will be carried out on the impact of decentralization on delivery and utilization of essential health care services, especially RH and child health services (UNFPA, UNICEF). Baseline survey/studies, DMIS, District Poverty Monitoring Analysis and DAG mapping will be carried out jointly. (UNFPA, UNICEF, UNCDF)

viii) Fiscal Transfers (LGCDP Output 3)

Technical support will be provided for the fine-tuning and where necessary the development of formula- and performance-based grant systems for all tiers of the local government system (DDCs, VDCs and municipalities). Formula-based transfers will make grants more transparent and more equitable. Performance-based grant systems will contribute to improving transparency and accountability, and thus reducing the fiduciary risks associated with intergovernmental fiscal transfers. The MC/PM system will also facilitate the identification of capacity "gaps" and thus dovetail with LGCDP capacity building activities. In addition to the improvements for existing grants and other fiscal transfers, the JP will also pilot new social safety net measures. (UNCDF, UNICEF, UNFPA)

ix) Piloting and fine-tuning (LGCDP Output 5)

Providing financing and technical support for fine-tuning a range of local government processes and for piloting service delivery innovations, JP support will reach national, district and community levels. The JP will focus on four principal areas for this kind of work:



- systems and procedures for local public expenditure/financial management (e.g. DPMAS, poverty/DAG mapping, health sector inventory management, procurement, reporting, annual and periodic planning, budgeting, etc.);
 - local government administration and management of social protection (cash transfer) programmes;
 - piloting sector support at the local level, in sectors such as primary health, reproductive health, water, hygiene and sanitation, and education. Among other things, the JP will pilot the provision of matching funds in the health sector.
 - improved coordination of development at the local level.
- (UNFPA, UNICEF, UNCDF)

x) Advocacy and media training

The UN JP will coordinate closely with LGCDP/PCU in the areas of Information, education and communication (IEC). Development, printing and distribution of IEC materials and media communication will be coordinated in such a way that they can produce multiple effects through single efforts. However, when specific advocacy materials are needed they will be produced by individual agencies. (UNFPA, UNICEF)

B. District and community levels

i) Targeted community empowerment (LGCDP Output 2)

Support for community empowerment activities will include specific and direct support, aimed at carrying out social mobilization and facilitating community empowerment in approximately 25 districts. The programme will pay special attention to promoting community level organizations among disadvantaged/marginalized groups and amongst children and the youth, and in remote areas. This will also include intensive facilitation of the interface between communities and local level service delivery units and departments (including local governments), thereby enabling communities and community organizations to fully articulate and communicate their basic services priorities. Civil society and community groups representing such people will be supported in negotiating for greater access to public goods and services. This is seen from a Gender Equality and Social Inclusion (GE/SI) perspective. Training of village facilitators and social mobilizers will be planned and implemented jointly as far as possible. (UNFPA, UNICEF + UNDP/UNV).

ii) Strengthening bottom-up planning systems at the local level

In those districts where one or more UN agencies are present, they will collectively support DDCs and VDCs in operationalizing bottom-up annual planning processes, including updating of district periodic plans, ensuring the participation of target audiences in the integrated planning committees for inclusive, and gender sensitive and youth friendly plans. (UNFPA, UNICEF)

iii) Capacity building

Strengthening the capacity of LBs, government sectoral line agencies and community organizations will be one of the major activities of all participating UN agencies. A range of capacity building activities will be conducted, aimed at local governments, local level line departments, user/community groups and front line workers involved in scheme implementation arrangements. Capacity building measures for community groups, citizens' institutions led by SEGs, women, village facilitators and social

mobilizers will be coordinated through LG institutions. The JP will support LGs' capacity to undertake evidence based planning, including gender sensitive and socially inclusive components and the generation and use of disaggregated data.

The JP will also provide local line departments with capacity building support, aimed at enhancing their ability to respond effectively to local education, health, nutrition, HIV and AIDS, water, hygiene and sanitation as well as child protection and participation priorities. The existing capacity development packages for local Health and School Management Committees will be revised/updated together with the partner ministries and training will be conducted. Technical training for health care providers in selected districts will be planned and delivered in collaboration with participating agencies. This will reduce duplication and maximize optimal use of available resources. (UNICEF, UNFPA, UNDP, UNCDF, UNV)

iv). Technical Assistance

In all UNFPA supported districts, DDCs will be assisted to recruit TA personnel on sector devolution. It is expected that after some years of support DDCs will fully appreciate the need for such TA and thus allocate funds from their own budgets to keep on specialist staff. (UNFPA)

Geographical strategy

In terms of its "localization", the JP will be structured as follows:

- (i) For community or VDC level interventions (LGCDP outputs 1 and 2), JP activities will be oriented in the following ways:
 - In alignment with LGCDP's overall roll-out of social mobilization activities. JP support for basic social mobilization will therefore be focused on those Districts and VDCs that are selected by MLD;
 - In the 25 districts⁶ (and their constituent VDCs) where UNICEF and UNFPA have been providing support for decentralized service delivery.
- (ii) For intensive piloting activities (VDC block grants, PEM/PFM, social protection, sector conditional grants, DDC coordination functions), JP interventions will – as far as possible – take place in those districts where ongoing UNICEF and UNFPA programmes overlap. This will enable the JP to leverage synergies.
- (iii) For support to local line agencies, the JP will focus in on districts where UNICEF and UNFPA have ongoing activities and in districts where line ministries (particularly MoHP) plan to test out sector devolution policies.
- (iv) For overall capacity building activities aimed at local governments, the JP will support LGCDP's nation-wide roll-out to all DDCs, VDCs and municipalities.

UN agencies

Each of the five UN agencies has its particular comparative advantage and value added to bring to the joint programme.

UNDP brings to the JP its long-standing relationship and partnership with the Ministry of Local Development, District Development Committees, Municipalities and Village

⁶ See Annex 1 for a listing of these districts and VDCs.

Development Committees, and the Local Government Associations. UNDP also has a wealth of experience in the areas of social mobilization and community-led development, which should enable the UN collective to contribute to LGCDP's "demand" side activities. Finally, UNDP has an established track record in providing the Government with policy level support, as indicated by its involvement in the formulation of the Local Self-Governance Act (LSGA-1999).

UNICEF's value-added to the JP is multi-dimensional. UNICEF has considerable experience of supporting decentralization at all levels and brings a distinctive human rights based approach to social exclusion, focusing on women and children. The recent DAG-mapping tool will further support in targeting disadvantaged groups. At community level, a cross-sectoral and integrated approach through community action process and social mobilization is complemented with communication for behavioral change with full participation of beneficiaries thus enabling full ownership. UNICEF can deploy high quality social sector technical expertise and share experiences from an integrated approach, thus making a valuable contribution to sector devolution issues.

UNFPA's comparative advantage within the JP lies in its substantial experience of working at both national and decentralized levels on sector policy analysis, production of disaggregated data to inform policy making and programming, the delivery of health services, and the promotion of reproductive rights (particularly among women, youth and couples). This has involved a combination of local capacity building, the provision of support for improving the quality of services, and supporting local level advocacy, participatory planning and monitoring. By working intensively in six districts, UNFPA has built up its expertise in the area of decentralized service delivery, quality assurance through COPE/PLA and in bringing together service providers and citizens to broaden the scope of reproductive rights by integrating Reproductive Health, Gender and Population strategies. This expertise will serve the JP well and make a valuable contribution to LGCDP implementation as a whole by bringing UNFPA's experiences through policy dialogue at the national level and implementation experiences from its focused intervention districts.

UNV is the UN focal point for promoting and harnessing volunteerism for effective development. As such, UNV contributes to development effectiveness through its advocacy activities and the advisory support it provides to partners in development programming and through the volunteers it deploys. UNV's contribution to the JP will be through sustained community volunteerism which will be promoted as a means of inclusive participation, civic engagement and empowerment as well as a vital resource for local development works.

UNCDF has been supporting decentralisation and local governance in Nepal since 2000. Through its programme, UNCDF has successfully piloted a range of local public finance innovations (most notably, MC/PMs or the performance-based grant system) and other public expenditure management processes (e.g. social audits, transparency measures, etc.), many of which are now being replicated nation-wide. In the context of the JP, UNCDF will concentrate on its comparative advantage of being an agency that "takes risks" and pilots or fine-tunes innovative and policy-relevant processes in the area of local governance. Through its special funding mandate, it will also act as a conduit for any block grants (whether pilot or not) that are financed through the JP.



3. RESULTS & RESOURCES FRAMEWORK

The summary Results and Resources Framework (R&RF) for the JP is provided on the following pages. Annex 7 includes a detailed R&RF. A Risk Log is also provided following the R&RF.



Table 2: Results and Resources Framework

UNDAF Outcomes:

Socially excluded and economically marginalised groups have increased access to improved quality basic services
National institutions, processes and initiatives to consolidate peace are strengthened

LGCDP Goal: Contribute towards poverty reduction in Nepal

LGCDP Purpose: Improved access to locally and inclusively prioritised public (goods and) services

LGCDP Outputs		Participating UN agency	Implementing partner	Resource allocation and indicative time frame				Total
				2008	2009	2010	2011	
1. Communities and community organisations participate actively in local governance processes		UNICEF		264,436	1,279,530	1,279,530	0	2,823,496
		UNFPA		33,222	403,474	400,474	0	837,170
		UNDP		0	293,000	320,000	339,500	952,500
		UNCDF		0	0	0	0	0
		UNV		0	170,000	170,000	170,000	510,000
	Total		297,658	2,146,004	2,170,004	509,500	5,123,166	
2. Increased capacity of citizens, communities and marginalised groups to assert their rights and hold local governments accountable		UNICEF		1,299,434	3,838,590	3,838,590	0	8,976,614
		UNFPA		118,000	120,000	202,000	0	440,000
		UNDP		0	0	0	0	0
		UNCDF		0	0	0	0	0
		UNV		0	0	0	0	0
	Total		1,417,434	3,958,590	4,040,590	0	9,416,614	

Outcome A summary		Output 1	Output 2	Total
Participating UN agency				
UNICEF	2,823,496	8,976,614	11,800,110	
UNFPA	837,170	440,000	1,277,170	
UNDP	952,500	0	952,500	
UNCDF	0	0	0	
UNV	510,000	0	510,000	
Total	5,123,166	9,416,614	14,539,780	

LGCDP Outcome B. Increased capacity of local governments to manage resources to manage resources and deliver basic services in an inclusive and equitable manner.							
LGCDP Outputs	Participating UN agency	Implementing partner	Resource allocation and indicative time frame				Total
			2008	2009	2010	2011	
3. Local governments gain access to greater fiscal resources in equitable and appropriate ways	UNICEF		0	1,137,360	1,137,360	0	2,274,720
	UNFPA		86,000	156,100	156,100	0	398,200
	UNDP		0	33,000	33,000	34,000	100,000
	UNCDF		0	420,000	490,000	290,000	1,200,000
	UNV		0	0	0	0	0
Total			86,000	1,746,460	1,816,460	324,000	3,972,920
4. Appropriate capacity building services passed on to all levels of the local government service delivery system	UNICEF		781,935	2,859,900	2,959,900	0	6,601,735
	UNFPA		140,000	336,500	323,500	0	800,990
	UNDP		0	903,500	845,500	768,000	2,517,000
	UNCDF		0	50,000	0	0	50,000
	UNV		0	0	0	0	0
Total			921,935	4,149,900	4,128,900	768,000	9,968,735
5. Local governments service delivery mechanisms and processes fine-tuned	UNICEF		0	710,850	710,850	0	1,421,700
	UNFPA		2,723,500	3,474,759	2,637,668	0	8,265,347
	UNDP		0	0	0	0	0
	UNCDF		40,000	816,000	1,524,000	1,510,000	3,890,000
	UNV		0	0	0	0	0
Total			2,763,500	5,001,609	4,301,938	1,510,000	13,577,047

Outcome B summary					
Participating UN agency	Output 3	Output 4	Output 5	Output 5	Total
UNICEF	2,274,720	6,601,735	1,421,700	1,421,700	10,298,155
UNFPA	398,200	800,000	8,265,347	8,265,347	9,463,547
UNDP	100,000	2,517,000	0	0	2,617,000
UNCDF	1,200,000	50,000	3,890,000	3,890,000	5,140,000
UNV	0	0	0	0	0
Total	3,972,920	9,968,735	13,577,047	13,577,047	27,518,702

Table 3: JP/LGCDP – RISK LOG

#	Description	Category	Impact & Probability I=1-5 P=1-5	Countermeasures
1	Peace process stalls or fails and the CA fails to develop or endorse the new Constitution	Political Security	Development environment deteriorates and implementation becomes impossible or difficult; national resources from development diverted into security <i>Possible</i> P=2 I=5	<ul style="list-style-type: none"> - GoN, the UN and other donors are currently deeply engaged in ensuring peace in Nepal - Wider civil society involvement exerts pressure to maintain peace and constitutional process on track - UN engaging in dialogue with Government and donors on a regular basis - LGCDP will inject significant financial resources at local level for service delivery (root cause of conflict)
2	National policy will not prove conducive to local government	Strategic	The programme objectives can not be met <i>Unlikely</i> P=1 I=4	<ul style="list-style-type: none"> - This seems highly unlikely given that all political actors seem committed to some kind of decentralised polity. LGCDP will make available more resources to LGs and thus increase interest in and awareness of decentralisation as a service delivery modality
3	Viable and stable interim local councils are not established	Political Operational	Implementation can still continue while some outputs and activities might have to be reviewed that require politicians <i>Possible</i> P=2 I=3	<ul style="list-style-type: none"> - Active measures will be taken at the VDC level to foster village level councils. - Local pressure created through inbuilt Social Mobilization component within LGCDP and commitment expressed by the major political parties towards empowering local governments for service delivery. A number of other measures are in place to promote downward accountability, including social audit, support to watchdog facilities, public disclose of LB performance etc.
4	Fund flow processes prove ineffective and inefficient	Technical	<i>Possible</i> P=2 I=3	<ul style="list-style-type: none"> - DPs through regular joint monitoring, feedback and reviews put pressure on the government to revise/adjust financing procedures as per the spirit of LGCDP and Government implement measures to remove bottlenecks on fund flow mechanisms. - Mitigating measures and adjustment of funding flows may be considered, but the first step will be to strengthen the control and capacity of involved parties in flow of funds.
5	Weak financial management	Technical	May reduce efficiency in	<ul style="list-style-type: none"> - Flow of funds modalities will be adjusted - In built LGCDP capacity building component

#	Description	Category	Impact & Probability I=1-5 P=1-5	Countermeasures
	capacity in LBs and MLD		allocation/spending May worsen poor absorptive capacity at local level Possible P=2 I=3	<ul style="list-style-type: none"> - Conditionality on release of funds (instalments, reporting etc.) - LBs provided with incentives to improve financial management from the MC/PM system and other measures like disclosure of results and social audit, report cards etc. - LBs and line ministry departments and units are thoroughly oriented on sector specific (e.g. health sector) norms and procedures
6	Financial malfeasance	Technical	Possible P=2 I=2	<ul style="list-style-type: none"> - Capacity building component - Social Mobilization for community empowerment ensures accountability - Social/public auditing, and transparency - MC/PM system will promote better performance
7	Poor capacity to audit and lack of follow-up on audit Poor internal audit and absence in some LBs	Technical Technical	Possible P=2 I=1 Possible P=2 I=1	<ul style="list-style-type: none"> - Support to OAG, development of LB audit guidelines, training, support to system with QA of VDC audit. - The MC/PM system promote LB incentives to follow-up on irregularities identified in the audit reports - The MC/PM system promotes internal audit and has had an impact in the 20 districts where it has been piloted. Rolling out of the system is likely to improve financial management performance and internal audit, based on MTRs of DFDP and external fiduciary risks assessments (DFID, 2006).
8	Weak procurement capacity and experience in MLD, other sector ministries (health, MWCSW and education) and LBs	Technical	Possible P=3 I=2	<ul style="list-style-type: none"> - The new Procurement Act and Regulations are useful tools in strengthening of the public procurement process - UN JP provides flexible support to MLD in the event of procurement blockages - Standards are set and in place by MLD - Transparency in procurement ensured - Training will be provided in application of the new Procurement Act and Regulations. - MLD arrangement and with checks and balances - Core TA includes recruitment of a procurement specialist

#	Description	Category	Impact & Probability I=1-5 P=1-5	Countermeasures
9	Staff instability in local governments	Operational	Institutional memory is lost and continuity in relations interrupted. Dedication of staff sub-optimal <i>Probable</i> P=3 I=2	<ul style="list-style-type: none"> - MC/IPM system covers LB procurement performance and promote improvements - The Government has indicated that it does wish to address this issue – and this commitment will be carefully monitored. LGCDP will react rapidly to any signs of undue staff turnover in local governments and line agencies, as well as bolster the ability of local interim councils to insist on staff stability - Regular review meeting between the DPs and MLD to minimize frequent staff transfers, backed by review of staff performance - LBs will hire essential staff locally as per the spirit of LSGA - LB's and service provider's capacity will be strengthened to ensure availability of basic services
10	Local governments or Line Ministries prove unwilling to undertake pilot activities	Strategic	Output 5 will be negatively affected. <i>Possible</i> P=2 I=3	<ul style="list-style-type: none"> - LGCDP offers major fiscal incentives as leverage. - NAC will instruct sectoral ministries (devolved sectors) to adhere to the LGCDP norms and principles. - Effective mechanism for sectoral coordination will be in place
11	GoN fiscal resources and donor funding decrease dramatically	Financial	Block grants and capacity development activities will have to be down scaled. <i>Possible</i> P=1 I=4	<ul style="list-style-type: none"> - GoN's finances have improved now that the conflict has ended and donors are committed to providing assistance in the post-conflict period - LGCDP includes support by a wide range of DPs, the impact attached to individual DPs stopping their funding
12	Lack of political will to use performance-based incentives and sanctions	Strategic Political	Seriously affect the objective of the programme <i>Unlikely</i> P=1 I=4	<ul style="list-style-type: none"> - It is GoN policy to use performance-based incentives and sections in connection with grant transfer. MoF and NPC are keen to apply PB funding mechanisms and will support MLD in this respect. - Requires high level advocacy support from donors. - People are made aware of these systems through SM - The system will be based on solid experience from testing in 20 districts.

#	Description	Category	Impact & Probability I=1-5 P=1-5	Countermeasures
13	Development partners prove reluctant to align themselves within a single framework of support for decentralisation	Strategic	This will significantly reduce the impact of the programme <i>Possible</i> P=1 I=4	<ul style="list-style-type: none"> - The Paris Declaration and commitment of some key development partners should mitigate against this - Program adopts flexible approaches to accommodate different modalities or MLD allows DPs to operate within a framework. - DPs will meet on a regular basis (monthly) with MLD to coordinate LGCDP. JFA will be elaborated and gradually expanded. The DPs have agreed to coordinate their capacity building support. - NAC will take a strong lead in DP coordination. - JP provision of technical assistance to MLD is intended to ensure that core capacities are in place to implement LGCDP
14	Weak capacity of MLD to implement wider LGCDP	Operational	Would substantially reduce the impact of the JP <i>Possible</i> P=2 I=3	<ul style="list-style-type: none"> - AWPB 2008/09 will categorically specify the alignment process and required amendment into the existing rules and regulation of the policies. Consensus and trust building at high level with sectoral ministries, MoF and AGO and FCGOs
15	Line Ministries prove reluctant to align themselves within a single framework of support for decentralization (LGCDP) under MLD's leadership	Strategic	Would reduce the possibility for delivery of comprehensive service package. LBs will have less interest and control over sectoral issues P=2 I=3	

4. MANAGEMENT AND COORDINATION ARRANGEMENTS

Management structure

The JP's guidance and management arrangements will again be harmonized with those that apply to LGCDP as a whole. This is consistent with the overall approach taken by the JP and will ensure that JP activities are properly and fully coordinated with the rest of LGCDP.

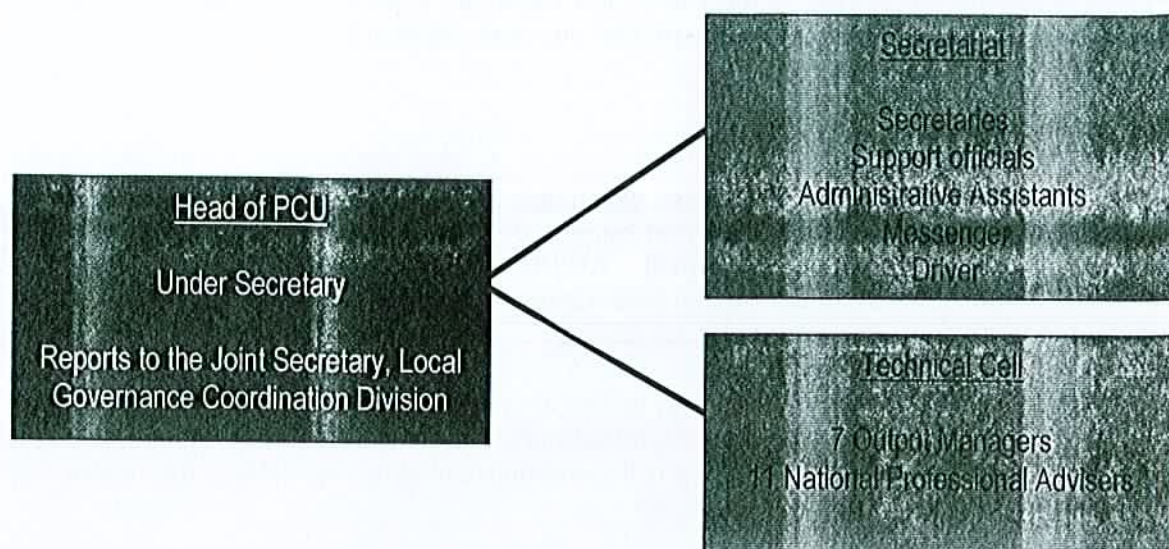
The management structure for the JP between the participating UN agencies will feature a coordination task force comprising focal points from each agency. (UNCDF, UNDP/UNV, UNFPA, UNICEF) The coordination task force will be chaired by one of the focal points on a rotating basis, meeting on a monthly basis and reporting to the UN Resident Coordinator. In view of the evolving LGCDP and decentralization process in Nepal, the coordination task force will also be responsible for designing and planning an expected follow on JP.

As part of LGCDP overall-management role in the JP, especially for those UN agencies requiring National Programme Directors, LGCDP management applies to the JP as follows:

- (i) High level oversight of the JP will be provided by the LGCDP National Advisory Committee (NAC), acting as Steering Committee for the JP. The National Advisory Committee will consist of the following members:
 - MLD Secretary (Chairperson)
 - MLD Joint Secretaries
 - Sector Ministry (JS level) representatives
 - MoF representative
 - NPC representative
 - DG DOLIDAR
 - Development partner representatives (including UN agencies)
 - LB associations' (ADDCN, MuAN, NAVIN) representatives
 - LGCDP National Programme Director (Member Secretary)
- (ii) The National Programme Director (NPD) for LGCDP, who will be the Joint Secretary of MLD's Local Governance Coordination Division, will be the JP's NPD.
- (iii) The Programme Manager (PM) for LGCDP, which will be a full-time position and filled by an Under-Secretary of MLD, will act as Programme Manager (PM) for the JP.

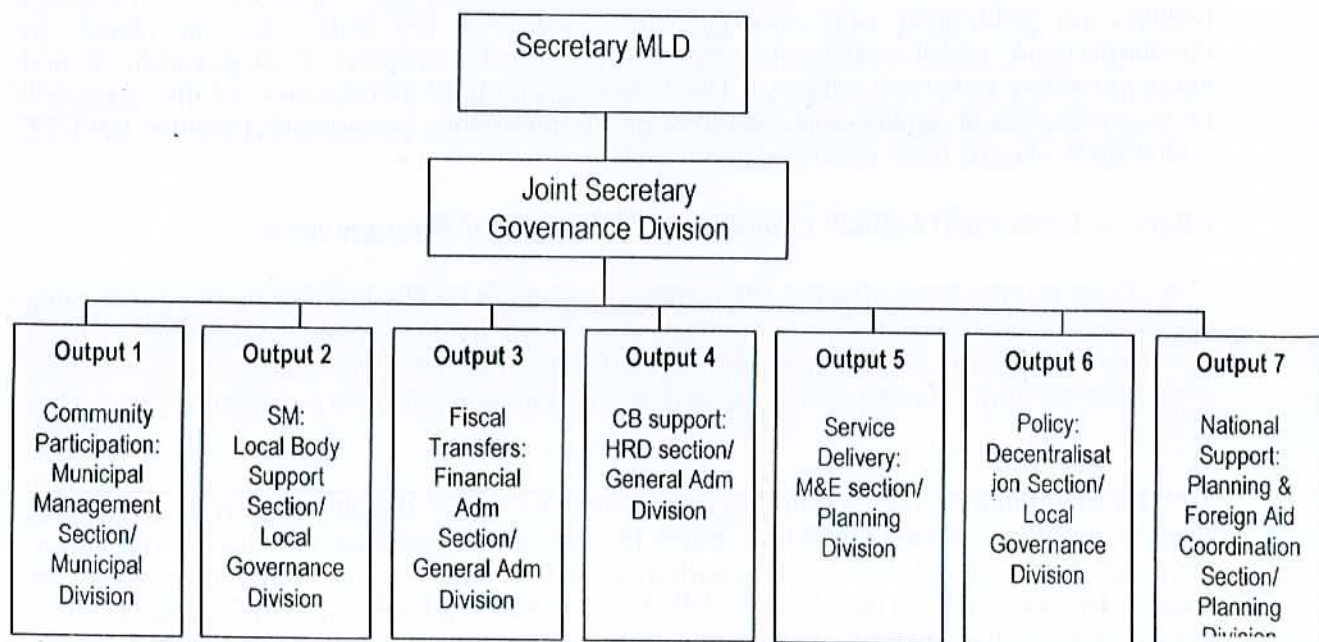
The PM will be in charge of LGCDP's Programme Coordination Unit (PCU), which will include an Administrative Secretariat and a Technical Cell. The structure of the PCU is shown in the following diagram.

Figure 1: The MLD LGCDP PCU



Within the PCU Technical Cell there will be specific, dedicated, Output Managers for each of LGCDP's outputs, selected from amongst the various section chiefs who will be PCU members. This will introduce a degree of accountability internally in MLD in terms of results based output management. The following diagram shows the allocation of output responsibilities to various MLD sections. PCU Output Managers will meet monthly to discuss issues regarding programme implementation and the PCU will prepare quarterly progress reports.

Figure 2: LGCDP PCU Output Managers



In addition to the Output Managers, the PCU Technical Cell will also consist of a team of full-time national experts, provided with support by the JP. These experts will provide the Output Managers and the PM with technical assistance, and will be accountable to the PM on a

day-to-day basis. As detailed in the results framework and annexes, UN agencies are providing technical assistance to the PCU. For example, UNICEF and UNFPA are jointly supporting a team member to provide expertise on issues related to sector devolution.

Management processes

All LGCDP activities (including those for which the JP will be providing support) will be included in a single annual work plan and budget (AWPB), which will be submitted to the National Advisory Committee for approval. AWPBs will be developed by the PCU, with Output Managers being responsible for their respective outputs, assisted by the national advisers and other resource persons as necessary.

To facilitate this, UN agencies subscribing to this JP will coordinate their own annual CPAP strategy and planning processes prior to preparation of the AWPB, and in conjunction with the PCU. This will evolve and build upon the existing UNDAF and CPAPs that some UN agencies have already agreed with the GoN.

This will be adopted at all levels, for example all activities supported by this JP will be planned, managed and monitored together with the DDCs, including through joint periodic plans, and through the institutional arrangements of the LGCDP.

Because of the difference between the FYs used by GoN and the UN agencies, the latter will need to adopt an 18-month rolling work plan in order to synchronise their planning activities with those of the wider LGCDP.

5. FINANCING & FUND MANAGEMENT ARRANGEMENTS

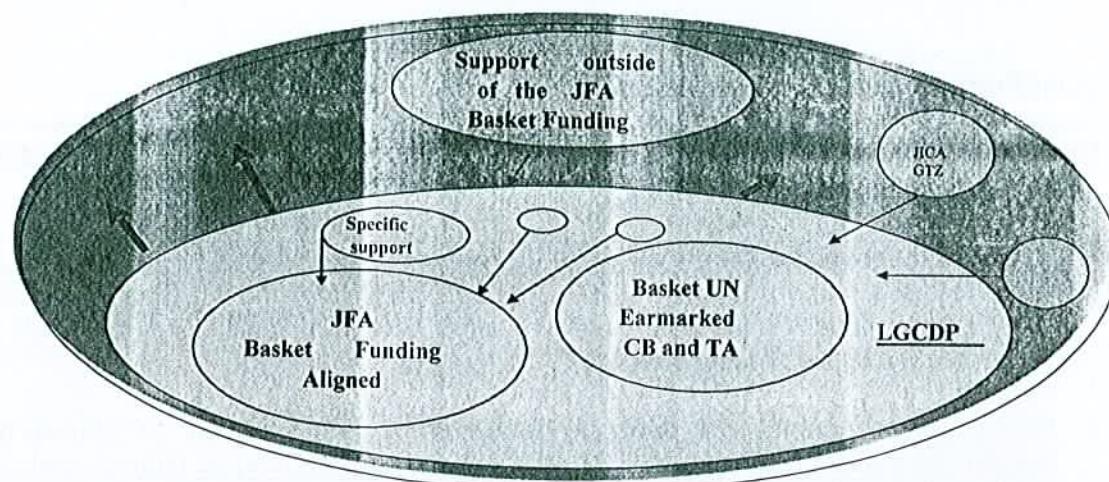
This JP represents a coordinated UN initiative to support the GoN's LGCDP, including building on coherence and synergies from previous UN experience in Nepal on decentralization, social mobilization, capacity building for inclusive local government and improved equity in service delivery. The financing and fund management at this stage will be a combination of parallel and pass-through arrangements, in particular because UNICEF and UNFPA already have CPAPs with the GoN.

Alignment with main LGCDP Financing & Management Arrangements

This JP represents a coordinated UN initiative to support GoN's LGCDP by the subscribing UN agencies, in line with the procedures laid down by the governing bodies of these agencies for support of such national programmes, and given that UN agencies – unlike other bilateral or multilateral funding agencies – cannot support such programmes through a JFA.

The following diagram (taken from the Government's LGCDP document) provides a graphic illustration of the positioning of the JP within the framework provided by LGCDP. The larger, dark blue ellipse denotes all local governance and community development activities; the smaller, light blue, ellipse denotes LGCDP. The JFA funding basket and the UN basket fund are integral parts of LGCDP (which includes a significant budgetary contribution by the Government).

Figure 3: Modalities for Support to Local Governance and Community Development



Although the financing support for LGCDP will be provided outside the JFA, it should be underlined that:

- All UNCDF funds provided through the JP for grants, of whatever sort, to local governments will be channeled to the same Treasury account, and managed, reported on and audited in exactly the same manner as other such funds provided for this purpose to the main LGCDP through the JFA.
- Other (UNICEF, UNFPA) funds destined for DDCs and VDCs will continue to transit through DDF accounts in the districts, as agreed by MLD.
- All funds provided through the JP for technical assistance and capacity building will be planned, managed and reported on as an integral part of main LGCDP activities.

Cash transfers will be made according to HACT (Harmonised Approach to Cash Transfer) procedures.

Cash transfer modalities, the size of disbursements, and the scope and frequency of assurance activities may be revised in the course of programme implementation based on the findings of programme monitoring, expenditure monitoring and reporting, and audits.

Budget commitments

The UN agencies subscribing to this JP will make financing commitments to the LGCDP, as indicated in the Results&Resources Framework (R&RF), through their own respective core funds and/or through non-core cost-sharing funds from other development partners wishing to support this JP.

In the case of UNDP, UNV and UNCDF, these core fund commitments constitute net new commitments of financial assistance to the GoN.

In the case of UNICEF and UNFPA, the core and non-core fund allocations reflect commitments already made to the GoN in respective CPAPs. These therefore do not constitute new funding commitments; however, fundraising shortfalls remain for those commitments.

Joint Programme Structure & Sequencing

Given this particular context for the JP, fund management arrangements will therefore be a mixture of pass-through and parallel:

- A pass-through arrangement will apply from the outset to those components of the JP which are the responsibility of UNDP, UNCDF and UNV and are financed from third-party contributions. Funds contributed by UNDP, UNCDF and UNV from their regular resources will follow parallel modality.
- Parallel arrangements will apply to those components of the JP which are the responsibility of UNICEF and UNFPA, and for which some funding commitments already exist. UNICEF and UNFPA will therefore manage their own funds, whether coming from Regular or Other Resources. Financial management for the UNICEF and UNFPA supported components of the JP will be in accordance with each agency's rules and regulations.

Pass-through arrangements

Under the pass-through arrangement, donor funds will be channeled to the respective agencies as follows:

- Where donors wish to allocate funding to specific Outputs or Activities, these will be allocated to UN agencies through the Administrative Agent according to the RRF table of this JP, indicating the respective roles of UN agencies for implementing these Outputs and Activities.
- Where donors wish to allocate funding without any such earmarking, funds will be distributed across Outputs and Activities according to funding gaps identified and work plan priorities agreed jointly by all agencies, through the task force.
- As the LGCDP and JP advance, it is anticipated that some activities will include all participating UN agencies in the pass-through arrangement.

However, all agency budgets will be prepared in common (as part of the larger LGCDP work planning and budgeting process). In addition, responsibility will be assigned for the preparation of an aggregated or a consolidated narrative and financial report for submission to the LGCDP National Advisory Committee. The aggregated/consolidated narrative and financial report will be clearly identified as a compilation of the UN organizations' narrative and financial reports and will be presented "for information purposes" only.

UNDP will be the Administrative Agent (AA) for the pass-through arrangement, the agent through which all donor contributions will be channelled. It will become effective as a mechanism upon signature of the JP Document and applied as soon as the first donor contribution to the programme is received.

In its role as Administrative Agent, UNDP will be responsible for:

- conclude standard administrative arrangements with donors to the joint programme

- The administration of funds received and disbursed, and disbursing funds;
- Disbursement of funds to the participating UN organisations;
- Consolidating financial reports;
- Refining consolidated narrative reports according to donor reporting requirements;
- Providing consolidated financial and narrative reports to all necessary parties.

The Administrative Agent will enter into a Memorandum of Understanding (MoU) with each participating UN organisation based on the portfolio of activities that have been mutually agreed in line with the common work plan, and a Standard Administrative Agreement (SAA) with each donor contributing to the Joint Programme. Under the MoU, each participating UN organisation will assume full programmatic and financial accountability for the funds disbursed to it by the AA. In the JP, the Administrative Agent, UNDP, will also be a participating UN organisation.

With the donors contributing to the JP, the Administrative Agent will enter into a Standard Administrative Agreement, which will set out the terms and conditions governing the receipt and disbursement of funds. As a principle, donors will be encouraged to channel funds using the pass-through mechanism as soon as the Joint Programme Document is signed, and discouraged from earmarking of funds for specific Agencies or thematic activities. The LGCDP National Advisory Committee (NAC) will play a key role in this respect and advise donors on the priorities for allocation of funds.

The Administrative Agent is entitled to receive 1% of the amount contributed by donors, for the costs of performing the functions described above⁷. The rate will be stipulated in both MoUs and Standard Administrative Agreement (SAAs).

Each participating UN organisation will recover indirect costs in accordance with its financial rules and regulations. For the portion of funding that is channelled through the pass-through arrangement, the indirect costs of the participating UN organisations are set at 7%. This arrangement will be documented in the MoU signed with the Administrative Agent.

The Administrative Agent will issue a financial report and final certified financial statement to donors and participating UN organisations on its activities.

Auditing arrangements

In line with the respective CPAPs of the UN agencies (agreed upon with the Government) the audit of the JP will be undertaken by the Office of the Auditor General of Nepal (OAG) as per the INTOSAI standards on auditing and international best practices. In view of the capacity development needs of OAG as identified in the Macro Assessment report, the services of a private audit firm may be obtained by UN agencies in coordination with other ExCom agencies, the Ministry of Finance and OAG. The OAG will lead the overall audit process and provide the final audit report to the UN agencies.

6. MONITORING, EVALUATION AND REPORTING ARRANGEMENTS

Monitoring

⁷ In parallel, UNICEF will reduce the HQ cost recovery rate from 7% to 6% thus equaling out the total administrative charge.

Monitoring arrangements for JP activities are summarised in table 4 below.

The Monitoring Framework will be fully aligned with the LGCDP Monitoring Framework. Changes in LGCDP's Monitoring Framework will therefore be reflected in the JP Monitoring Framework. Given that LGCDP's Monitoring Framework is currently being developed (as part of Inception Phase activities), this document only includes a very indicative JP Monitoring Framework (MF); a full MF will be designed during the first year of JP implementation.

The UN agencies will collaborate with other partners and MLD to prepare the baseline for LGCDP and the indicators for monitoring.

Table 4: Joint Programme Monitoring Framework (JPMF)

Expected Results (Outputs & outputs)	Indicators (with baselines & indicative timeframe)	Means of verification	Collection methods (with indicative time frame & frequency)	Responsibilities	Risks & assumptions
<p>Goal:</p> <p>Contribute towards poverty reduction in Nepal</p> <p>*</p>	<p>By the end of 2012:</p> <ul style="list-style-type: none"> • Access to local public services improved with enhanced efficiency and accountability of local service providers. • Participation/access of women, Dalits, Adibasi, Janajatis, Muslims, Madhesis and disadvantaged groups increased in the local governance process to establish citizen-centred, responsive and accountable local governance system. • Employment creation and opportunities increased for subsistence living. 	<p>LGCDP MTR/Final Review report</p> <p>LGCDP MTR/Final Review report</p> <p>CBS data</p>			
<p>Purpose:</p> <p>Improved access to locally and inclusively prioritised public goods and services</p>	<p>By the end of 2012:</p> <ul style="list-style-type: none"> • Participation in leadership of women and children, Dalits, Adibasi Janajatis, Muslims, Madhesis, disadvantaged groups in governance system increased as compared to 2006 • Engagement of communities (COs and their federations) in participatory planning cycle to lead community development activities in all local bodies improved as compared to the baseline information of 2007/08 • 20% of self-reliant local bodies (DDCs, municipalities and urban oriented VDCs) , determined as per MLD developed criteria, plan and 	<p>MLD annual report</p> <p>Baseline and end line survey report</p>			

Expected Results (Outcomes & outputs)	Indicators (with baselines & indicative timeframe)	Means of verification	Collection methods (with indicative time frame & frequency)	Responsibilities	Risks & assumptions
	<p>allocate their own resources for local development (X no. of DDCs, X no. of municipalities and x no. of VDCs)</p> <ul style="list-style-type: none"> 60% of the COs and citizens surveyed in selected districts positively state that public services at local bodies have improved (deliver services consistent with citizens' preferences). GE/SI strategy operationalised in MLD and GESI focal persons activated in 80% local bodies 	<p>MLD annual report</p> <p>MLD annual report</p>			
<p>Outcome A. Citizens and communities engage actively with local governments and hold them accountable</p>					
<p>1. Communities and community organisations participate actively in local governance processes</p>	<p>By the end of 2012:</p> <ul style="list-style-type: none"> At least 33% of the capital expenditure grant provided to Municipalities and VDCs spent on projects prioritised by communities Inclusive Integrated Planning Committee functional in all local bodies 90% local bodies annual plan prepared on the basis of participatory planning process Communities of 100% VDCs and 50% municipalities covered with the extension of social mobilisation 	<p>MLD Annual Report</p>			

Expected Results (Outcomes & outputs)	Indicators (with baselines & indicative timeframe)	Means of verification	Collection methods (with indicative time frame & frequency)	Responsibilities	Risks & assumptions
	<ul style="list-style-type: none"> X number of women paralegal committee functional by the end of the programme. 				
<p>2. Increased capacity of citizens, communities and marginalised groups to assert their rights and hold local governments accountable</p>	<p>By the end of 2012:</p> <ul style="list-style-type: none"> Participation of women, Adibasi Janajatis, Dalits, Madhesis, persons with disability and disadvantaged groups increased by 50% in programme activities as compared to the 2007/08 baseline figure 33% of COs turned into federations and cooperatives and linked to local bodies and other institutions 50% DDC/municipalities' and 10% VDCs' performance evaluated and feedback incorporated in LG policy X % of community groups are able to access resources through local bodies for use to fund own-determined priorities <p>Complaints/Grievance handling mechanism made functional at all levels</p>	MLD Annual Report			
<p>Outcome B. Increased capacity of local governments to manage resources and deliver basic services in an inclusive and equitable manner</p>					

Expected Results (Outcomes & outputs)	Indicators (with baselines & indicative timeframe)	Means of verification	Collection methods (with indicative time frame & frequency)	Responsibilities	Risks & assumptions
<p>3. Local governments gain access to greater fiscal resources in equitable and appropriate ways</p>	<p>By the end of 2012:</p> <ul style="list-style-type: none"> • Formula based fiscal transfer (with equalisation) system practised at all tiers of local government • Local revenues increased by 50% as compared to 2006/07 • Roles of central government and local bodies (DDC, VDC and Municipality) delineated and implementation started at LBs 				
<p>4. Appropriate capacity building services passed on to all levels of the local government service delivery system</p>	<p>By the end of 2012:</p> <ul style="list-style-type: none"> • 70% DDCs initiated MC/PM reporting to MLD on their own (reports available in MLD) • 20,000 office bearers of local bodies oriented/trained on local good governance • 10,000 associated individuals oriented/trained in different subjects like planning, coordination, resource mobilization, conflict resolution, empowerment, administrative and financial management, competence in decision making etc. • LB associations involved in policy advocacy and local governance accepted that their capacity has been strengthened • VDC periodic planning piloted in 200 VDCs • 80% of vital events registered in local bodies 	MLD Annual Report			

Expected Results (Outcomes & outputs)	Indicators (with baselines & indicative timeframe)	Means of verification	Collection methods (with indicative time frame & frequency)	Responsibilities	Risks & assumptions
5. Local governments service delivery mechanisms and processes fine-tuned	By the end of July 2012: <ul style="list-style-type: none"> Public hearing, public audit, code of conduct, citizen report card and local bodies computer software institutionalized by 90% DDCs, 75% of municipalities and 40% of VDCs MC/PM adopted in all DDCs and municipalities and piloted in selected VDCs All development programmes of the district/municipality reflected in DDC and municipal annual plans 				
Outcome C. Strengthened policy and national institutional framework for devolution and local self-governance					
6. Policy framework for decentralisation promoted a more enabling environment for effective, transparent and accountable local governance	<ul style="list-style-type: none"> Restructured MLD functional by 2010 Decentralisation SWAp adopted by MLD by FY 2009/10 Devolution coordination mechanism functional from 2009 X no. of local bodies adopted child friendly local governance by the end of July 2012 Roles & responsibilities of local government staff delineated (job descriptions, responsibilities, performance evaluation system, etc.) 	MLD Annual Report			

Expected Results (Outputs & outcomes)	Indicators (with baselines & indicative timeframe)	Means of verification	Collection methods (with indicative time frame & frequency)	Responsibilities	Risks & assumptions
<p>7. Capacity of central government and national non-government institutions strengthened to provide appropriate support to local governments is enhanced</p>	<p>By the end of July 2012:</p> <ul style="list-style-type: none"> Human resource development plan (including broadly defined affirmative action mechanisms) available in MLD and implemented in all DDCs and 30 Municipalities. Decentralised and results based monitoring system practised in MLD DMIS functional and linked with DPMAS Devolution strategy operationalized by 2009 				
<p>8. Support provided for programme implementation</p>	<p>By the end of July 2012 MLD staff trained and executing all aspects of project management, community development and local governance</p>				

Regular reviews

Regular reviews of the JP will be an integral part of the bi-annual Joint Reviews (JRs) of LGCDP. These will be conducted by GoN and all development partners would participate. The first JR (timing around November/December of each year) will be the mechanism for proposing any changes to the JP document. JRs will be preceded by donor/Government assessments of implementation, overviews of systems, fact finding field visits, etc. A second joint meeting will be conducted in May/June every year, when the annual work-plans, budgets, procurement plans and coordination of support and TA will be agreed upon.

Regular bi-annual JP reviews will focus on both results and process. For the latter dimension, particular attention will be paid: (i) to the co-articulation of LGCDP and the JP; and (ii) to the collaboration between UN agencies, within the UNDAF review framework.

Evaluation

Evaluations of the JP will be harmonised with those for the wider LGCDP. The UN agencies involved in the JP will agree on a single person to join LGCDP evaluation missions – and who will ensure that UN-specific aspects of the programme are covered and evaluated.

Reporting

The reporting from Government to the UN agencies will be as per the revised LGCDP reporting formats the UN agencies and donors agreed on with the MLD.

The UN agencies participating in the JP will provide unified narrative reports, on an annual basis, to the Government and any donors. The format for these unified reports will be developed and agreed upon during the first year of JP implementation. The JP coordination task force will be responsible for drafting and finalising any such narrative reports.

7. BASIS OF RELATIONSHIP

The following table provides a summary of the basis of the relationship between the Government and the various UN agencies involved in this Joint Programme.

Table 5:

Participating UN organization	Agreement
UNDP	This Joint Programme Document shall be the instrument referred to as the Project Document in Article I of the Standard Basic Assistance Agreement between the Government of Nepal and the United Nations Development Programme, signed by the parties on 23 February 1984.
UNICEF	The Basic Cooperation Agreement (BCA) concluded between the Government of Nepal and UNICEF on 21 February 1996 provides the basis of the relationship between the two parties.
UNCDF	This Joint Programme Document shall be the instrument referred to as the Project Document in Article I of the Standard Basic Assistance Agreement between the Government of Nepal and the

	United Nations Capital Development Fund, signed by the parties on 23 February 1984.
UNV	This Joint Programme Document shall be the instrument referred to as the Project Document in Article I of the Standard Basic Assistance Agreement between the Government of Nepal and the United Nations Development Programme, signed by the parties on 23 February 1984.
UNFPA	This Joint Programme Document shall be the instrument referred to as the Project Document in Article I of the Standard Basic Assistance Agreement between the Government of Nepal and the United Nations Development Programme, signed by the parties on 23 February 1984.

The following types of revisions may be made to this programme document under the signature of the UN Resident Coordinator only, provided that the other signatories of the project document have no objection to the proposed changes:

- revisions in, or addition of, any of the annexes of the project document;
- revisions which do not involve significant changes in the outcomes, outputs or activities of the project, but are caused by the rearrangement of inputs already agreed to or by cost increases due to inflation; and
- mandatory annual revisions that rephrase the delivery of agreed project inputs, or
- increased expert or other costs due to inflation or taken into account agency expenditure flexibility.

The Implementing Partner agrees to undertake all reasonable efforts to ensure that none of the funds received pursuant to this Joint Programme are used to provide support to individuals or entities associated with terrorism and that the recipients of any amounts provided by Participating UN organizations do not appear on the list maintained by the Security Council Committee established pursuant to resolution 1267 (1999). The list can be accessed via <http://www.un.org/Docs/sc/committees/1267/1267ListEng.htm>.